

Final results 2017/18

Andrew Williams – Chief Executive
Kevin Thompson – Finance Director

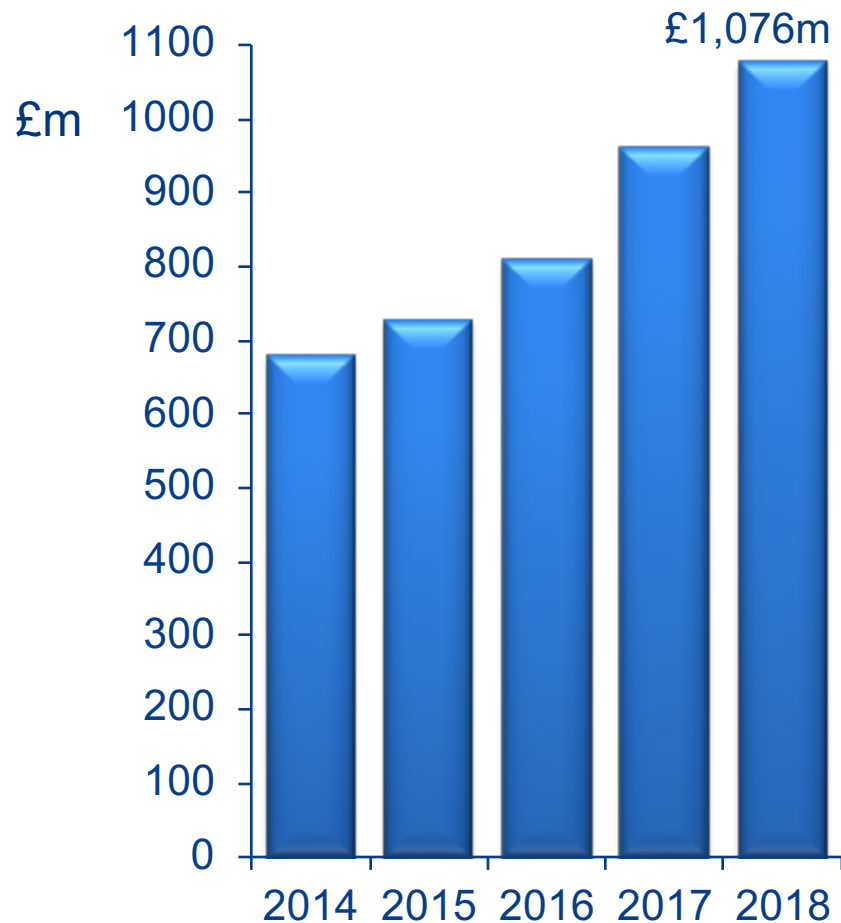
Milestones 2017/18

- 15th consecutive record year
- £1 Billion+ revenue
- FTSE 100 promotion
- Halma's purpose and strategy renewed
- Group FD succession

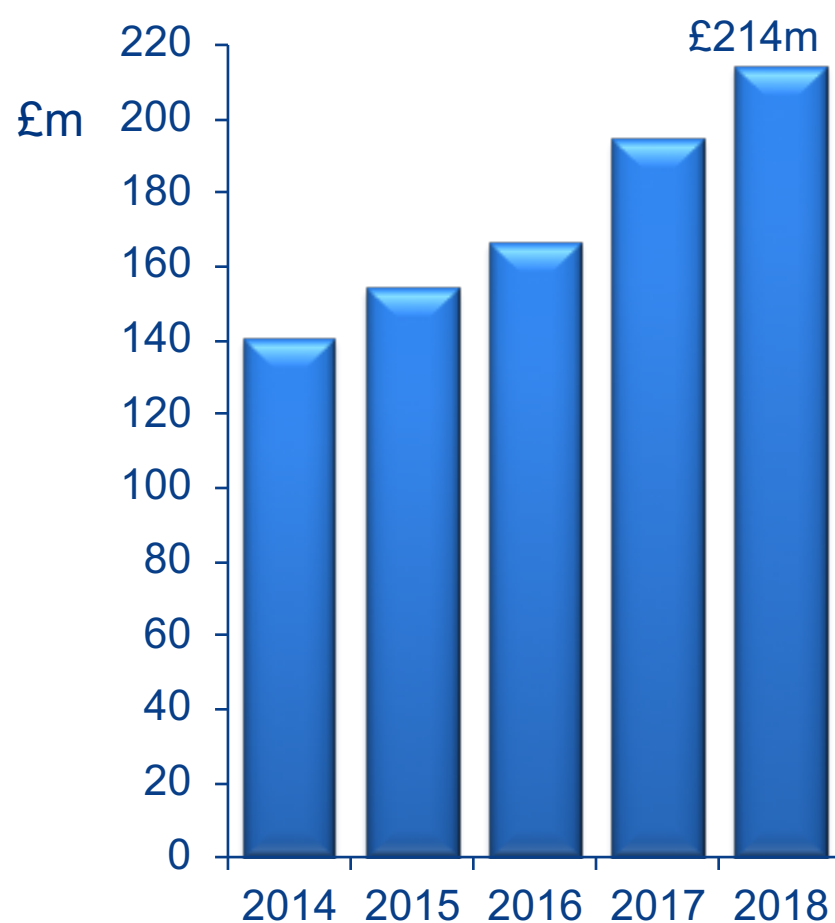
Financial Review

Record results

Revenue



Profit*



* Profit before amortisation and impairment of acquired intangibles, acquisition items, restructuring costs and profit or loss on disposal of operations

Revenue growth

FY 2017/18

➤ Organic constant currency growth	10%
➤ Acquisitions	2%
➤ Currency	-
➤ Headline growth	<hr/> 12%

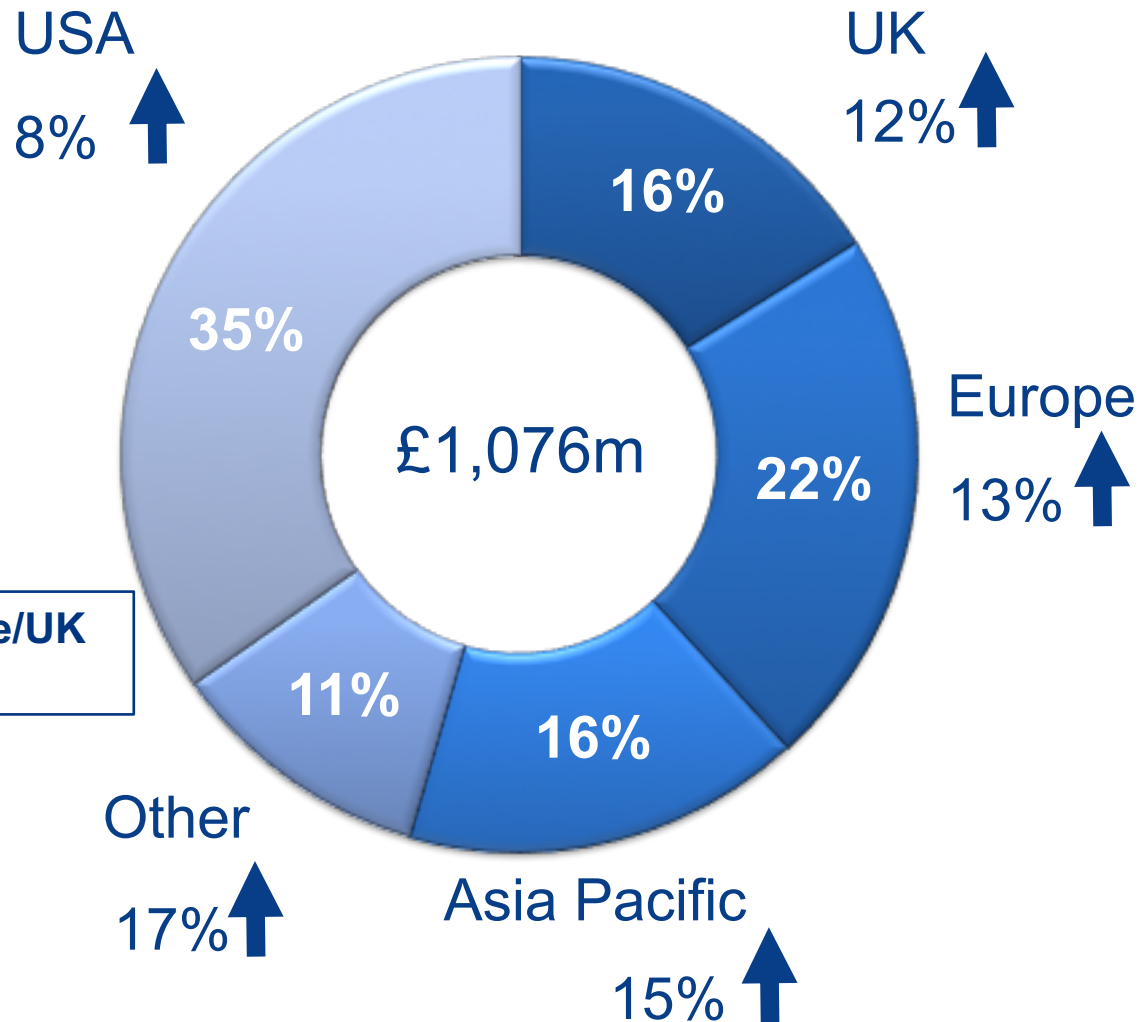
Revenue growth

FY 2017/18

	£m	Headline	Organic: Constant Currency growth
H1	506	15%	9%
H2	570	10%	11%
Total	1,076	12%	10%

Revenue by destination

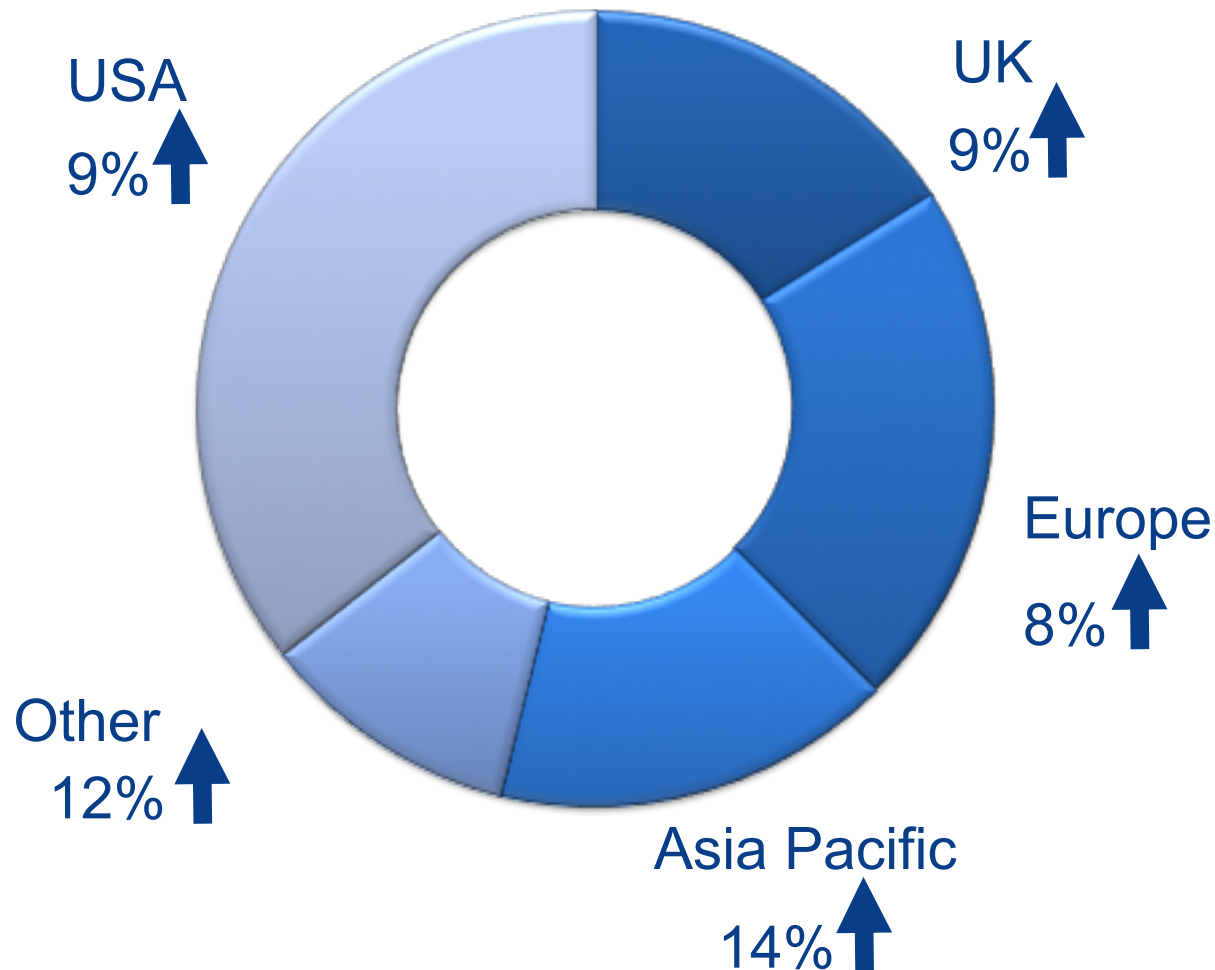
Revenue and revenue growth, 2017/18



Outside US/Europe/UK
= 16% growth

Revenue by destination: organic constant currency

Revenue and revenue growth, 2017/18



Profit* growth

FY 2017/18

➤ Organic constant currency growth	9%
➤ Acquisitions	1%
➤ Currency	-
➤ Headline growth	<hr/> 10%

* Profit before amortisation and impairment of acquired intangibles, acquisition items, restructuring costs and profit or loss on disposal of operations

Profit* growth

	£m	Headline	Organic: Constant Currency growth
H1	94.5	13%	8%
H2	119.2	8%	9%
Total	213.7	10%	9%

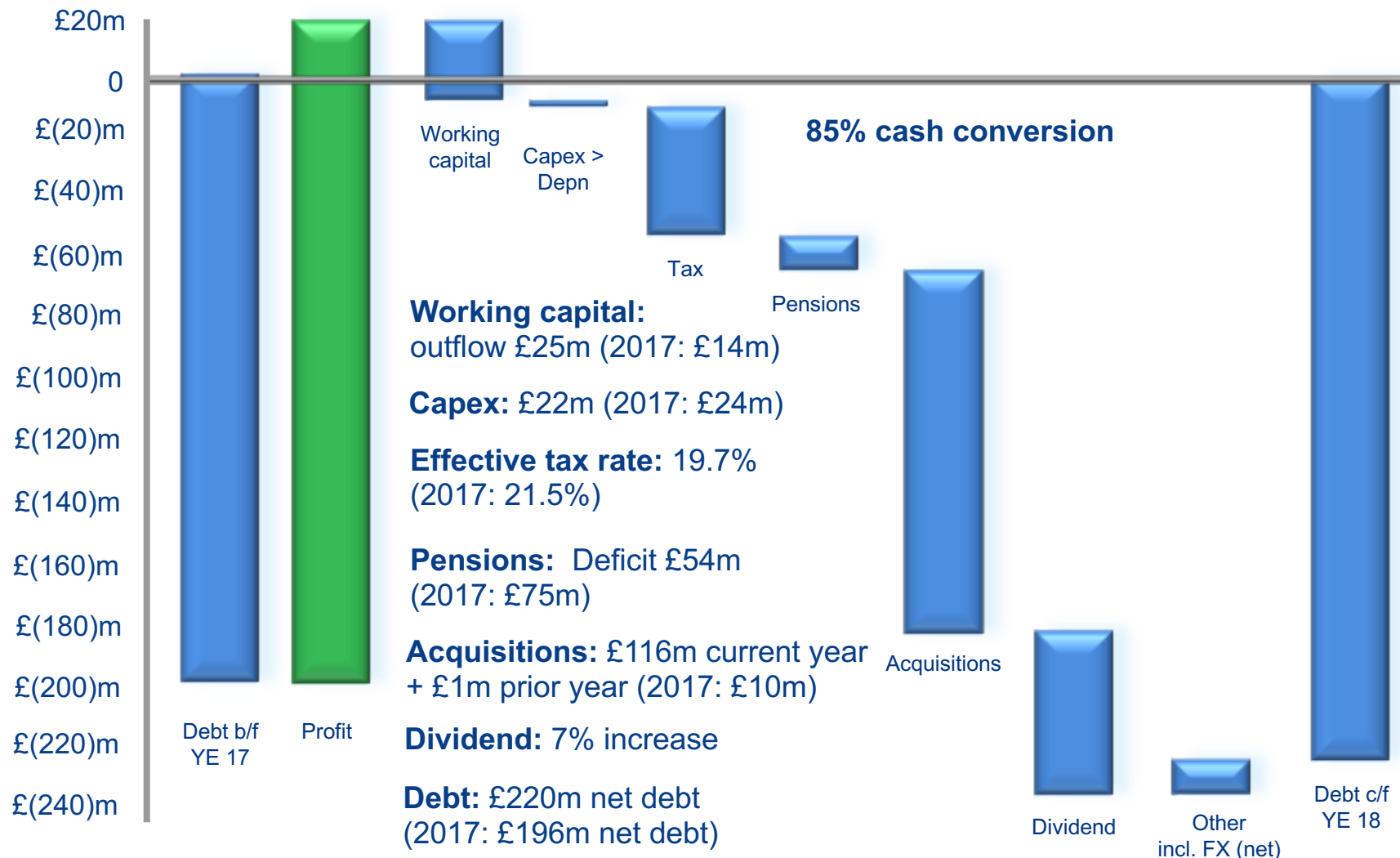
* Profit before amortisation and impairment of acquired intangibles, acquisition items, restructuring costs and profit or loss on disposal of operations

Currency

- Translation impact in 17/18
 - H1 net benefit: revenue and profit 5%
 - Full year net benefit: neutral
- At recent Fx rates 18/19 profit impact*:-
 - H1: ~ 2% adverse
 - FY: ~ 1% adverse
 - Impact varying by sector
- More information in Appendix

* Based on 17/18 results, assuming £/\$ 1.35, £/€ 1.13

Cash flow 2017/18



Significant financial capacity

- Revolving Credit Facility
 - £550m extended to November 2022
- In addition to existing \$250m USPP
- Capacity for medium term growth
- Year end gearing 0.87x, comfortable up to 2x

Financial KPI Summary 2017/18

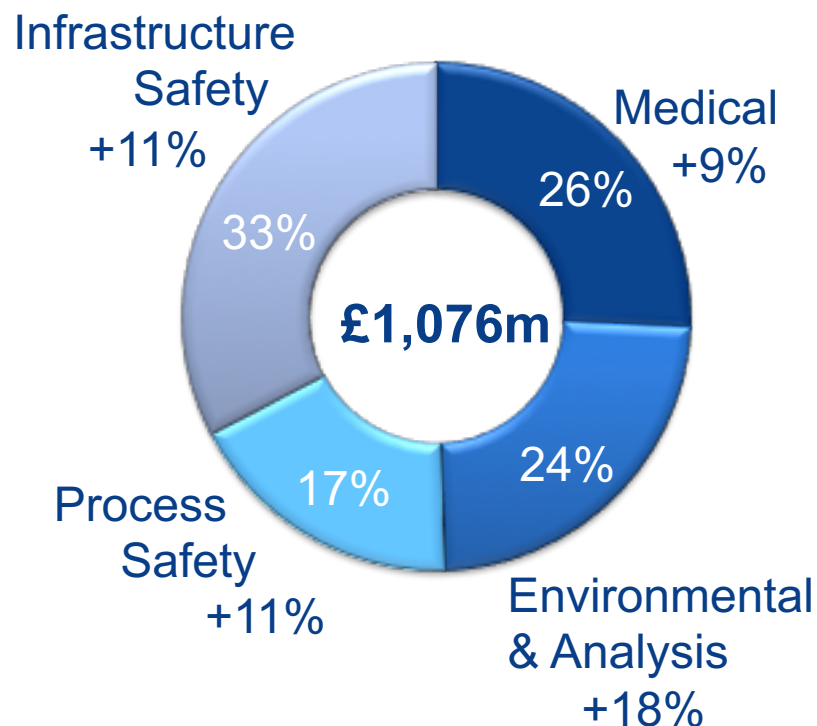
	<u>Target</u>	<u>Achieved</u>
Organic revenue growth	≥ 5%	10%
Organic profit growth	≥ 5%	9%
Revenue growth outside US/Europe/UK	≥ 10%	16%
Cash conversion	≥ 85%	85%
Acquisition profit growth*	≥ 5%	4%
R&D investment (% of revenue)	≥ 4%	5.2%
Return on Sales	18% - 22%	19.9%
Adjusted Earnings per Share	≥ 10%	13%
Return on Total Invested Capital	≥ 12%	15.2%

* annualised profit of acquisitions made in the year (net of finance cost) as % of prior year adjusted profit

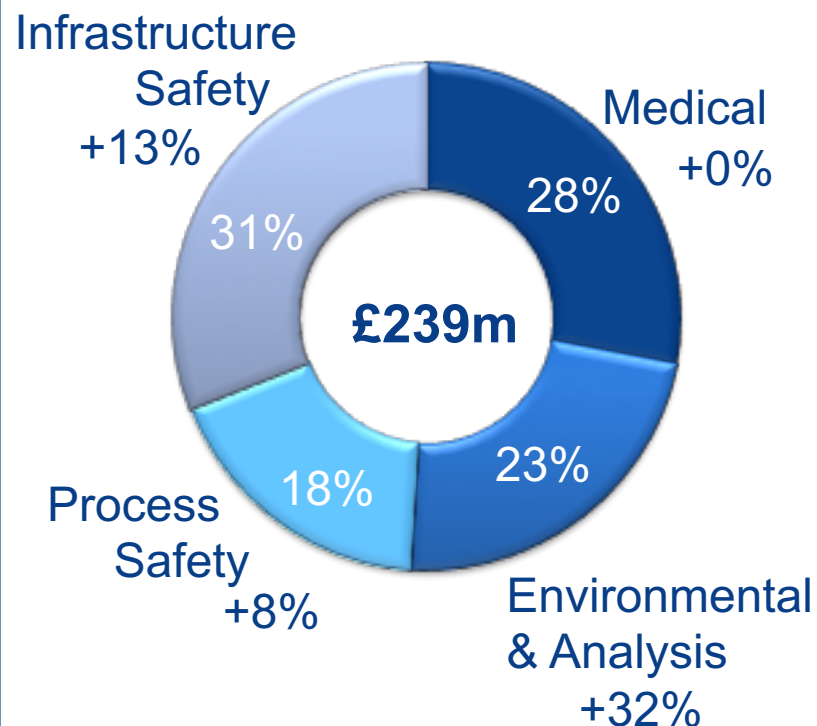
Trading Review

Sector performances

Revenue

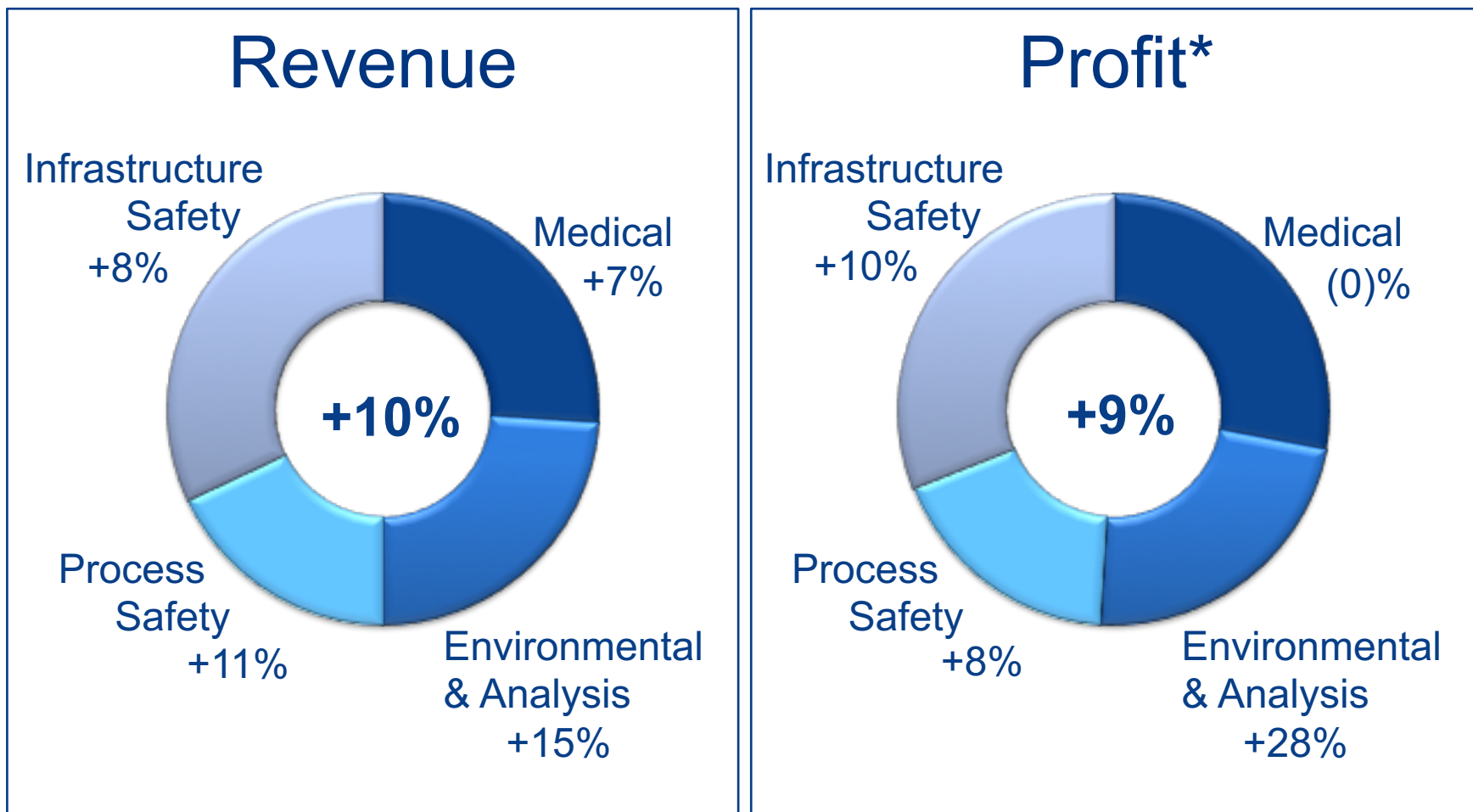


Profit*



* Profit before amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs and profit or loss on disposal of operations and excluding finance and central administration costs

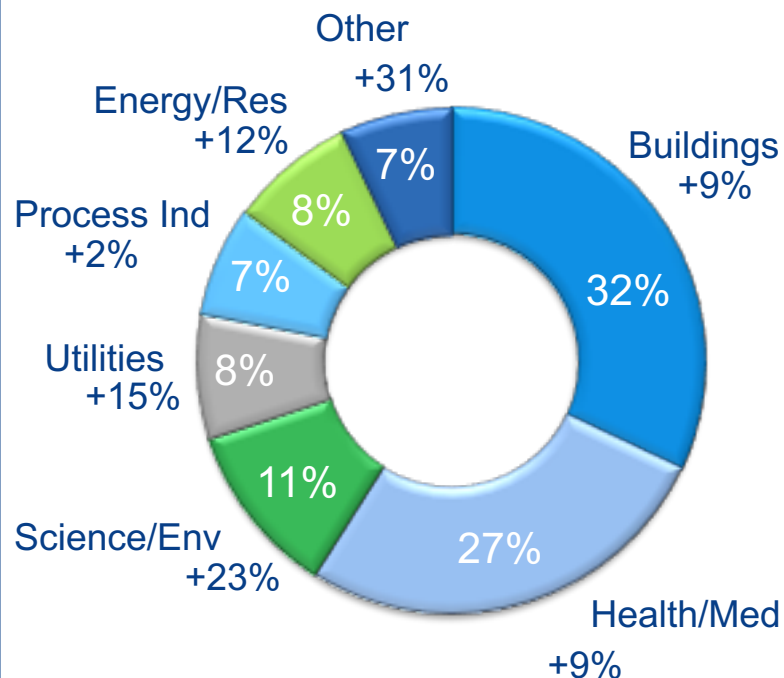
Sector performances: Organic constant currency growth



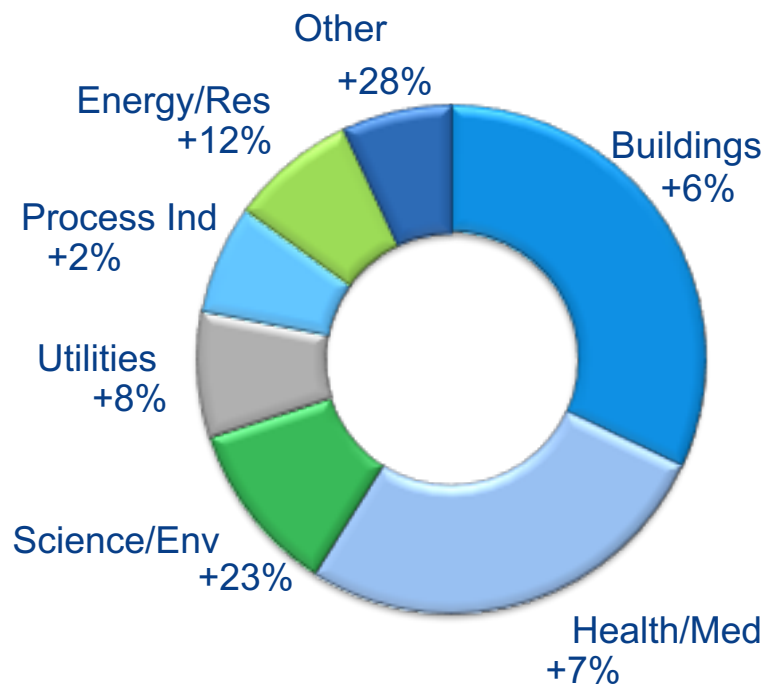
* Profit before amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs and profit or loss on disposal of operations and excluding finance and central administration costs

Group revenue by end-market

Revenue

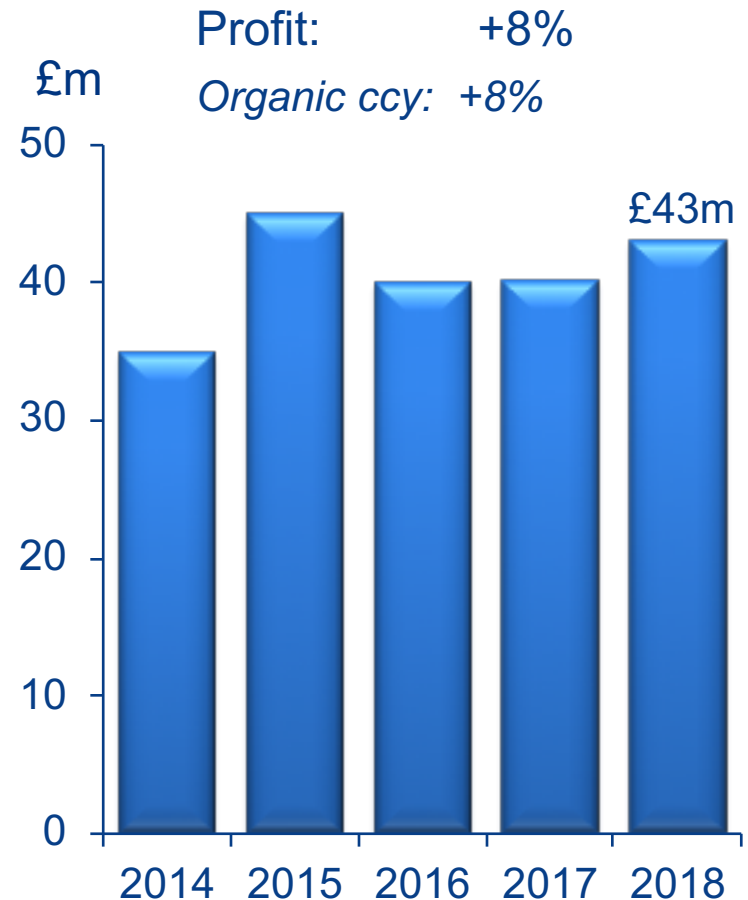
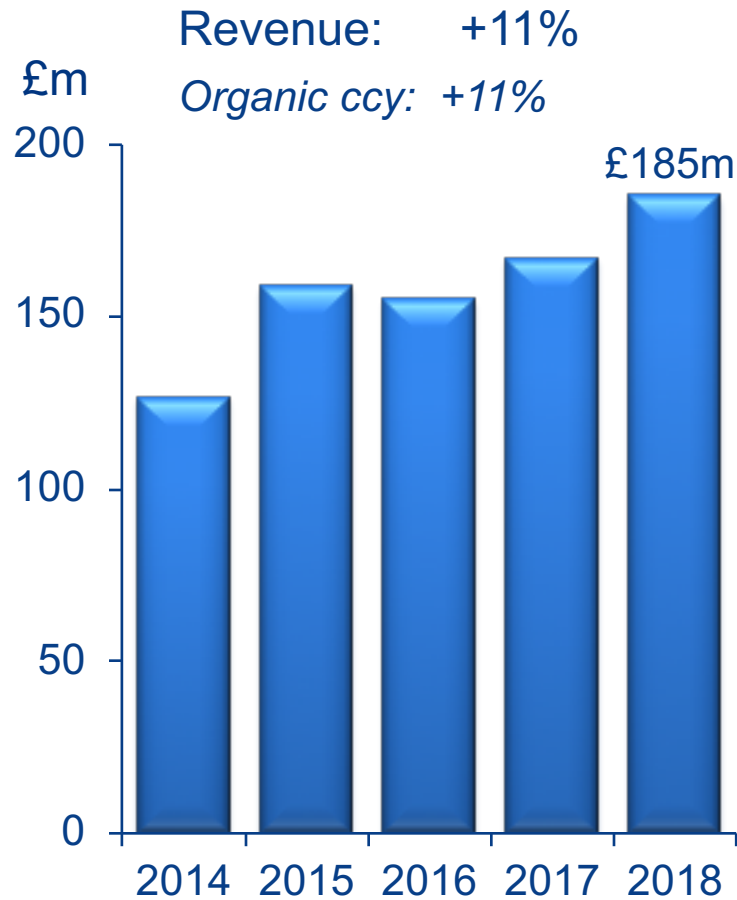


Organic ccy



* Includes a re-classification of 2016/17 revenue from Utilities and Others

Process Safety: Trading performance

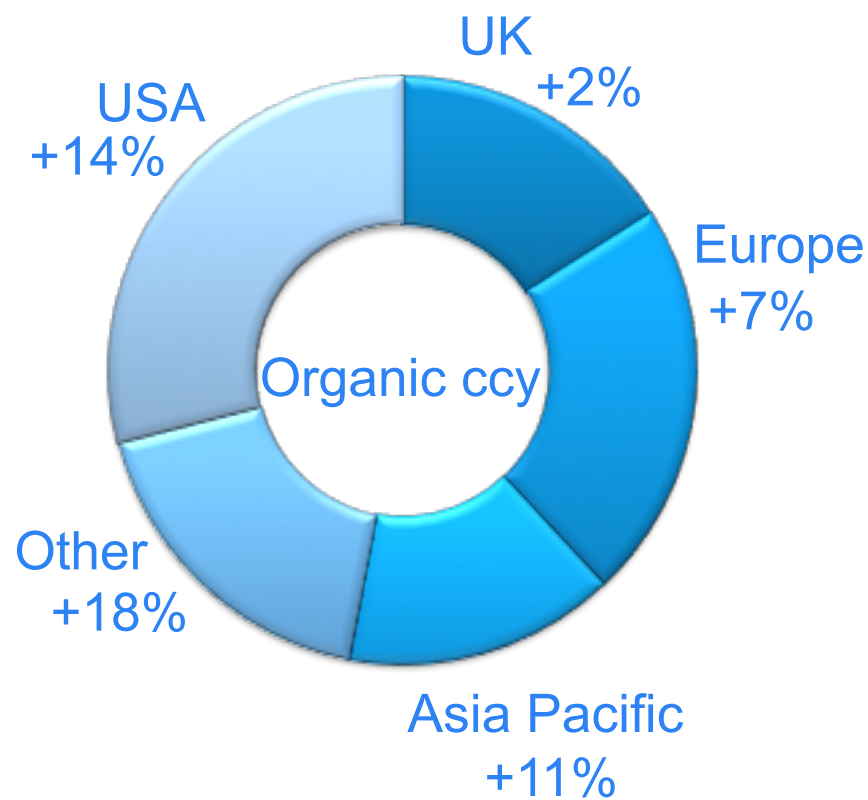
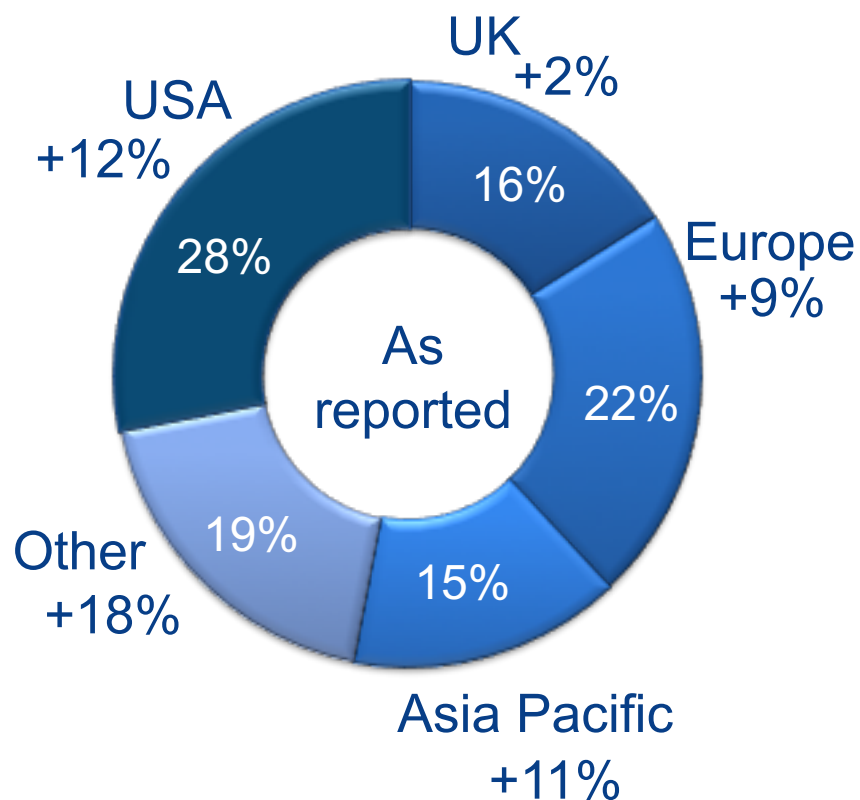


Return on Sales: 23.5%

R&D Spend: +6%

Process Safety: Revenue by destination

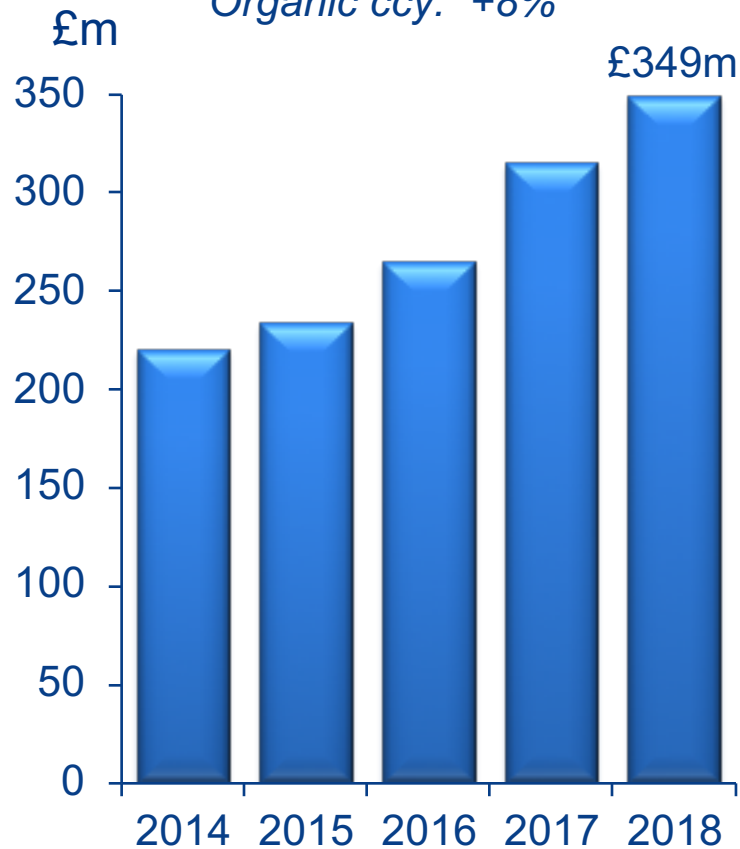
% of sector & % growth



Infrastructure Safety: Trading performance

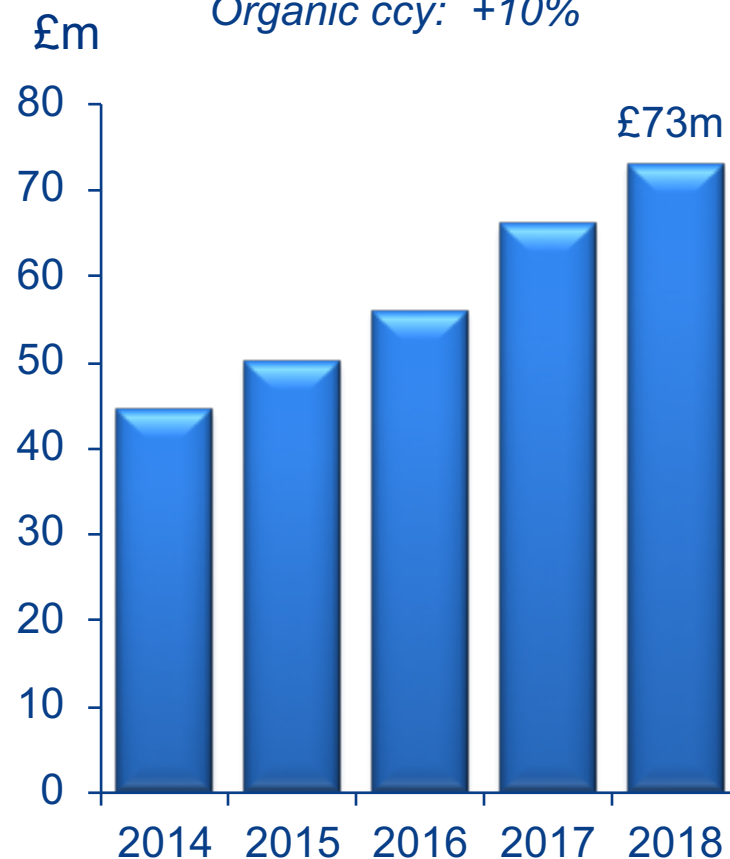
Revenue: +11%

Organic ccy: +8%



Profit: +13%

Organic ccy: +10%

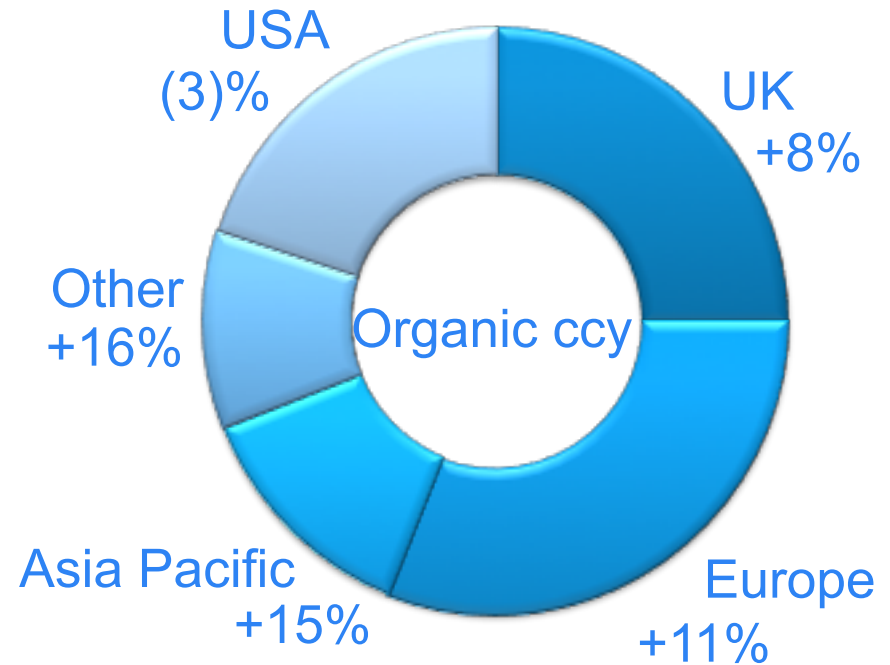
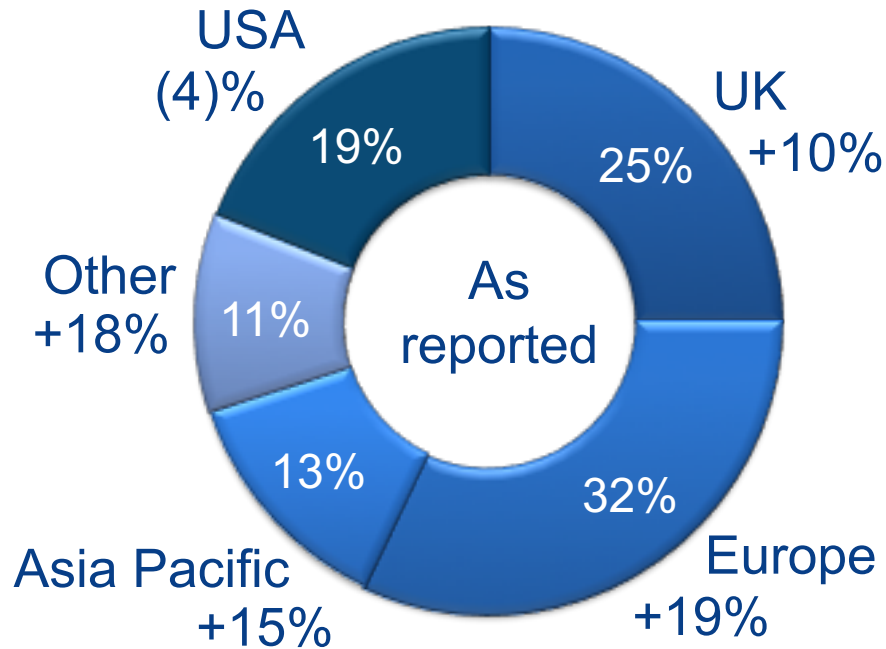


Return on Sales: 21.0%

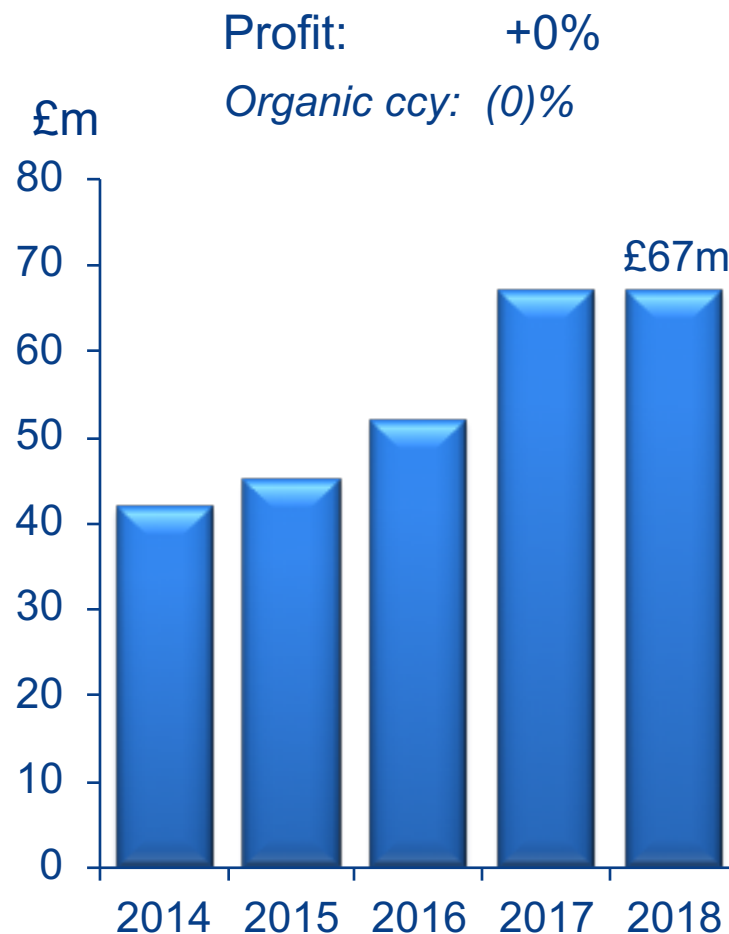
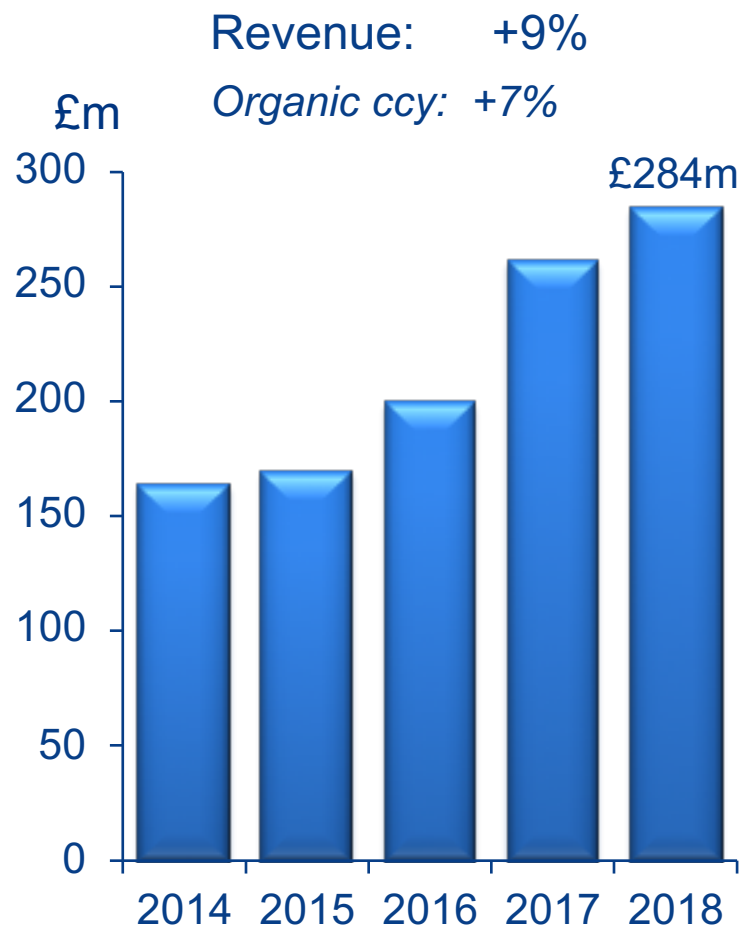
R&D Spend: +13%

Infrastructure Safety: Revenue by destination

% of sector & % growth



Medical: Trading performance

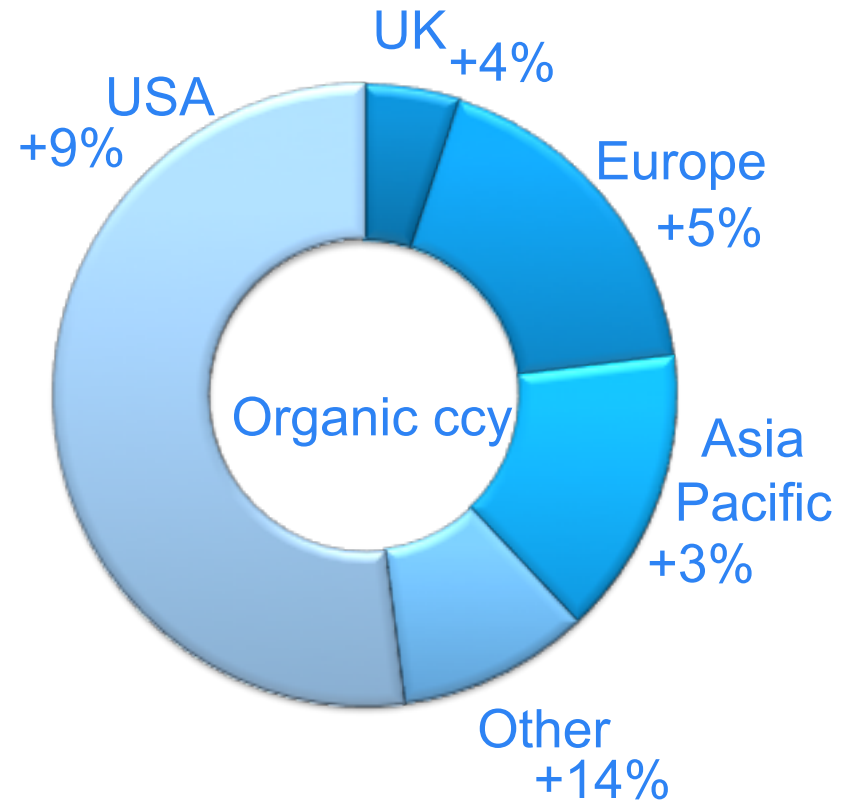
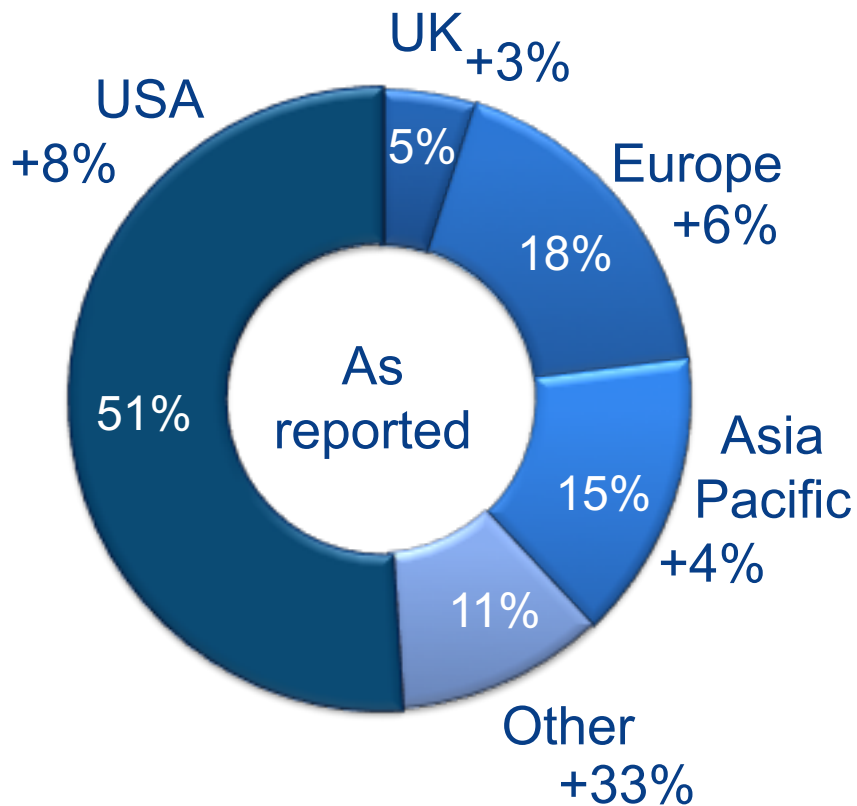


Return on Sales: 23.6%

R&D Spend: +4%

Medical: Revenue by destination

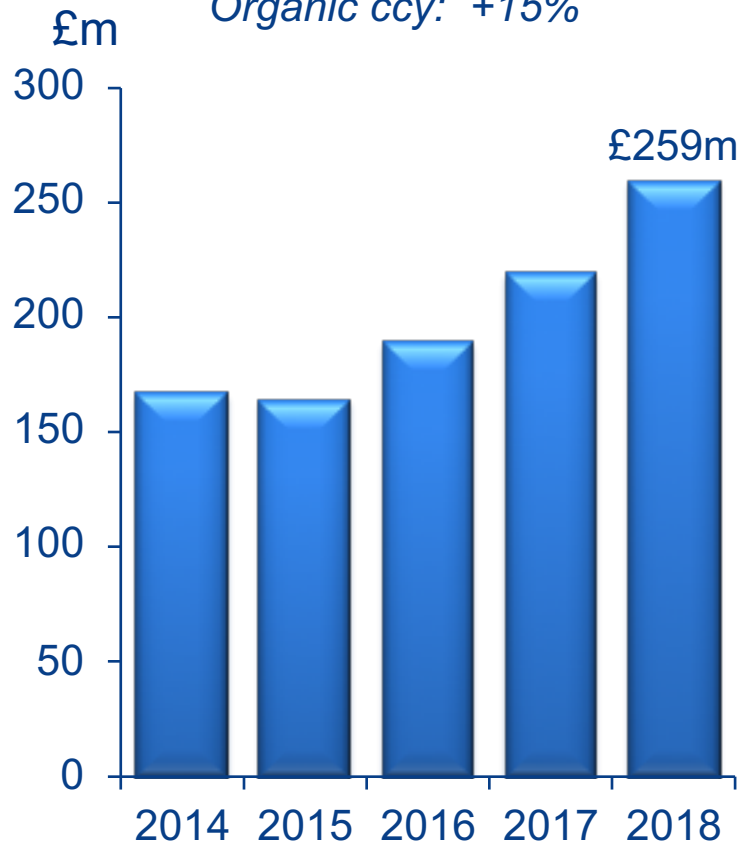
% of sector & % growth



Environmental & Analysis: Trading performance

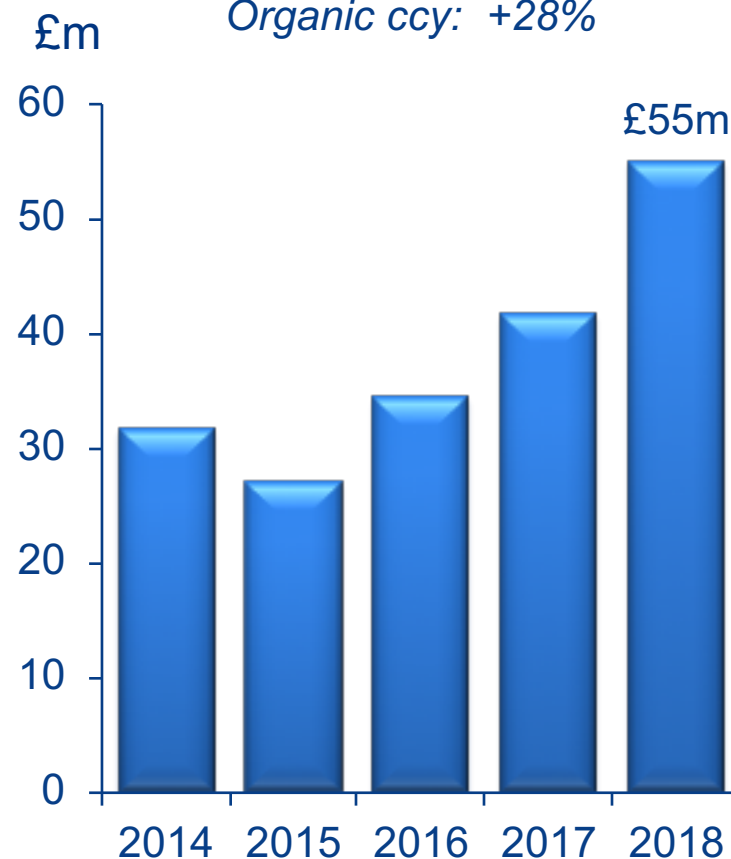
Revenue: +18%

Organic ccy: +15%



Profit: +32%

Organic ccy: +28%

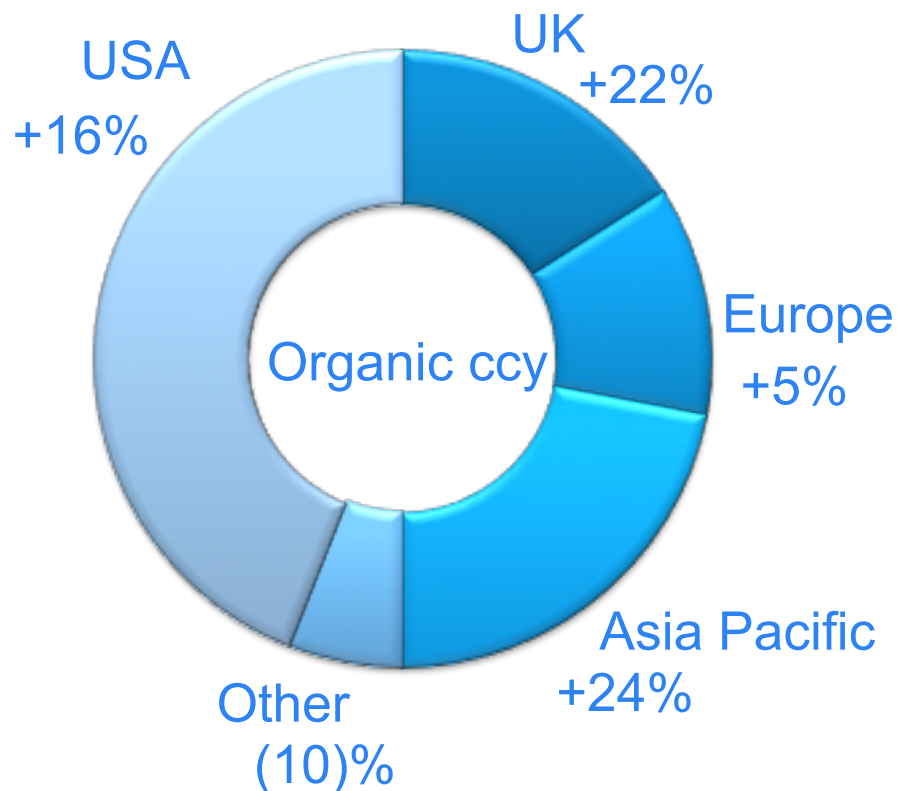
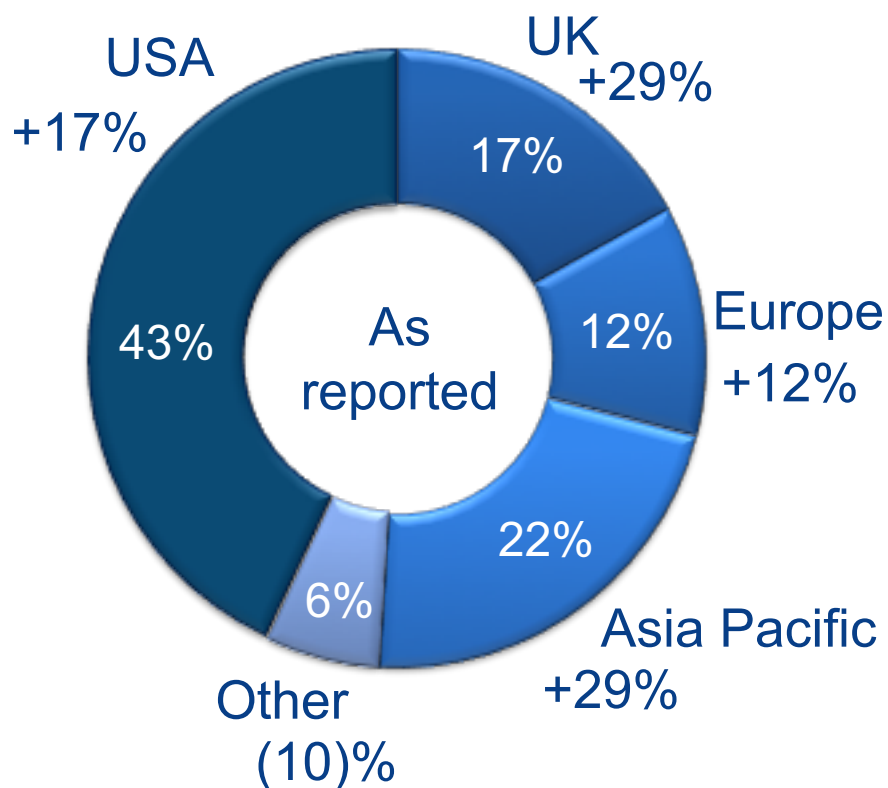


Return on Sales: 21.2%

R&D Spend: +18%

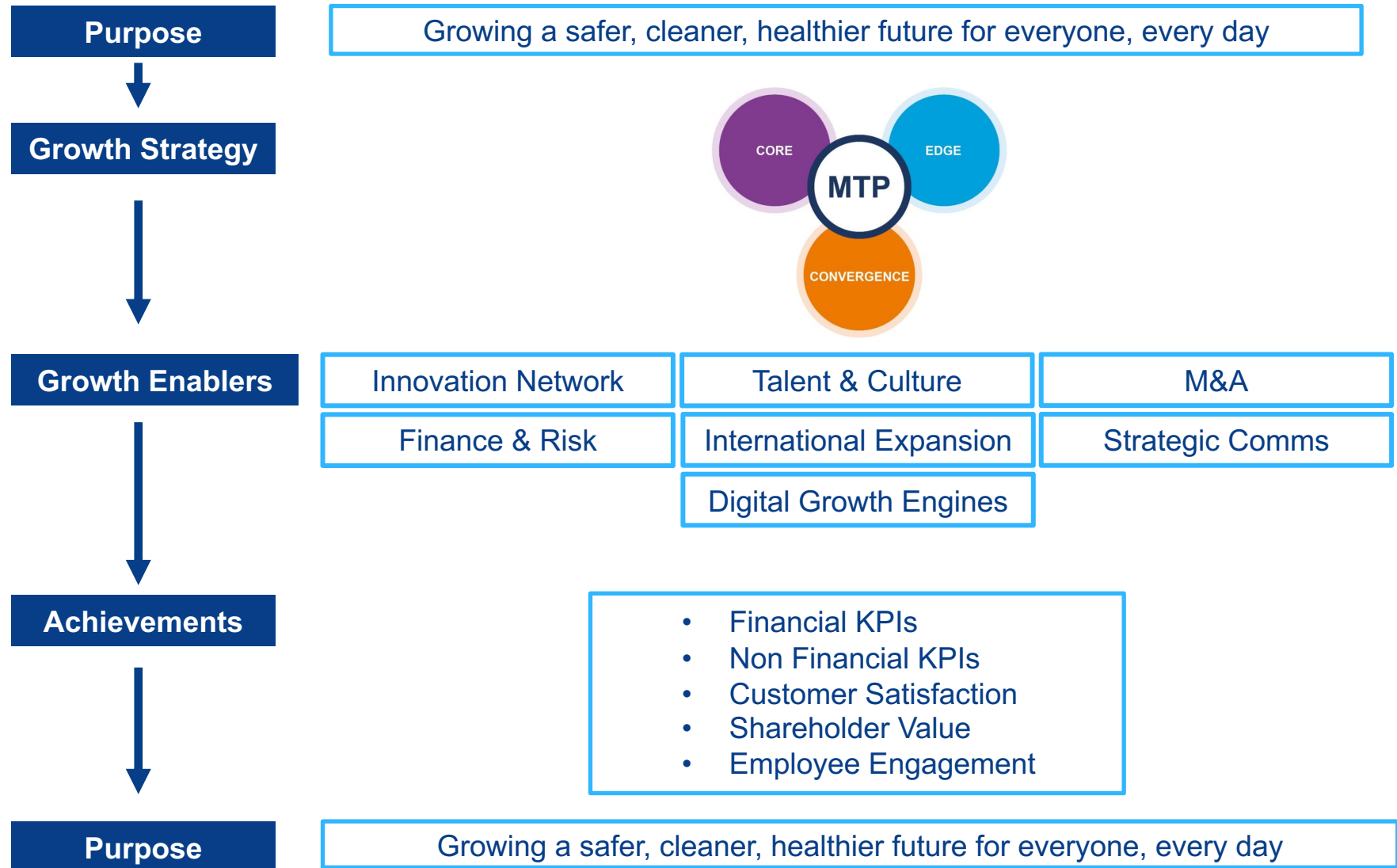
Environmental & Analysis: Revenue by destination

% of sector & % growth

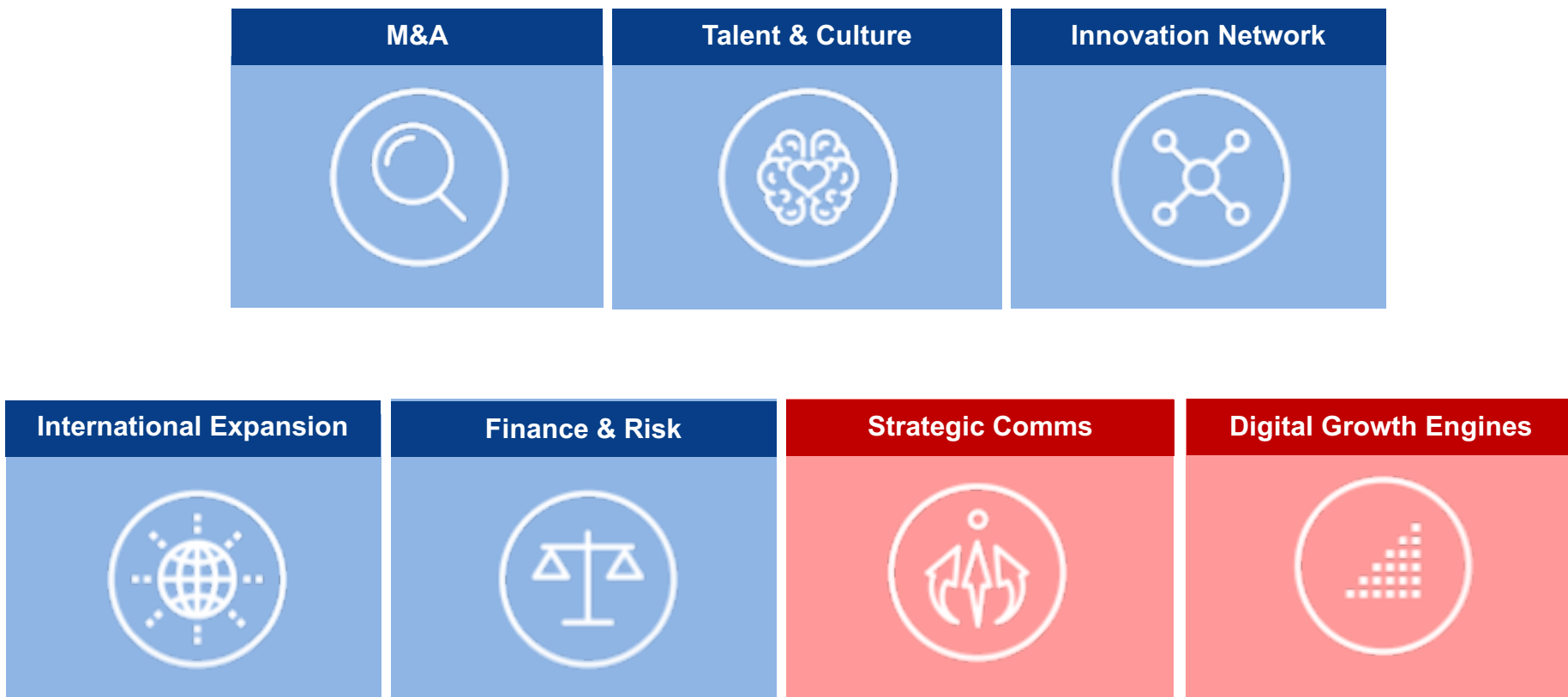


Strategy Update

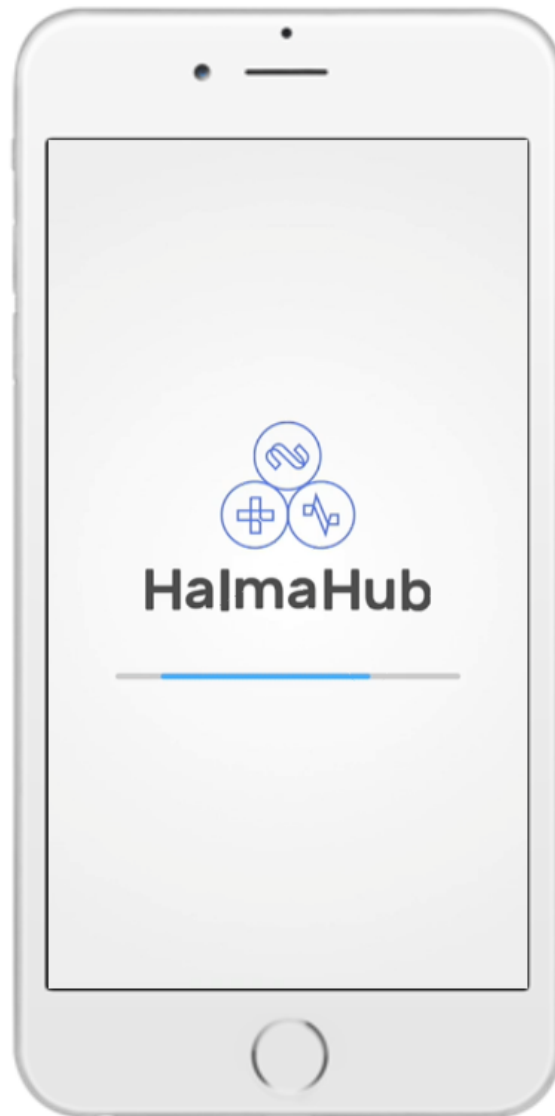
Halma 4.0 Strategy: How it works



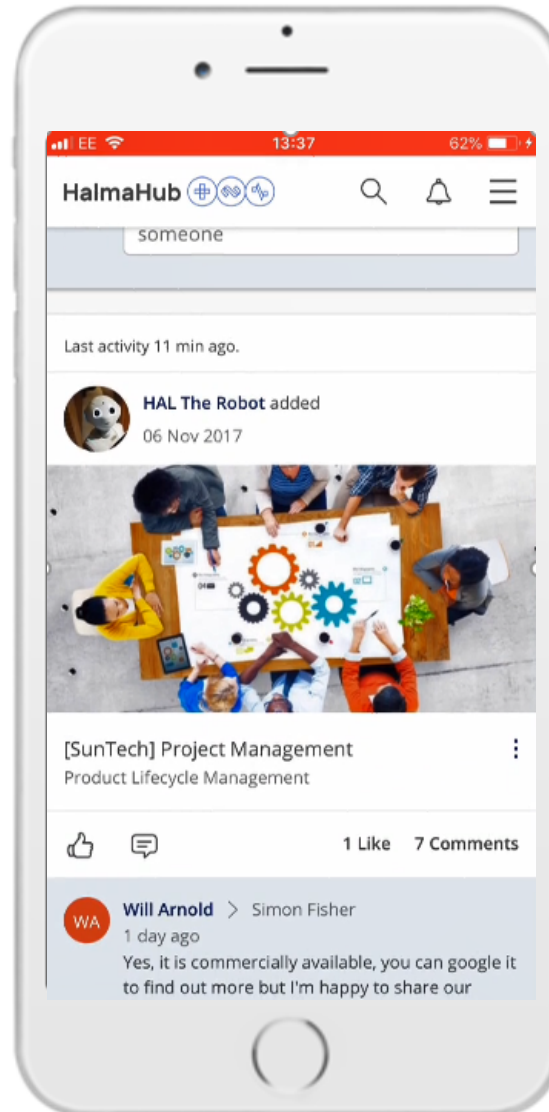
Halma 4.0 Strategy: Our Growth Enablers



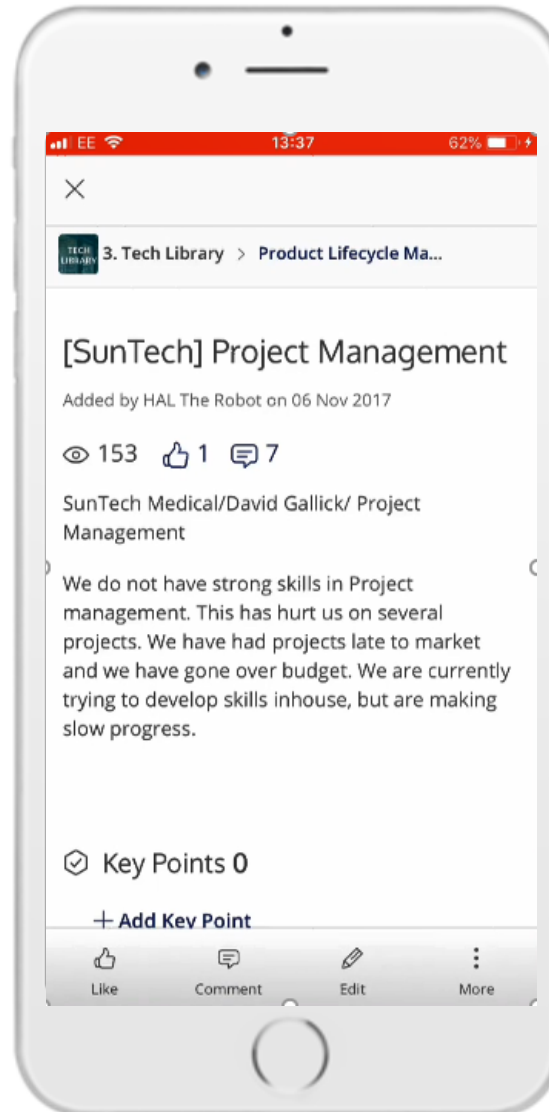
Strategic Comms: Halma Hub



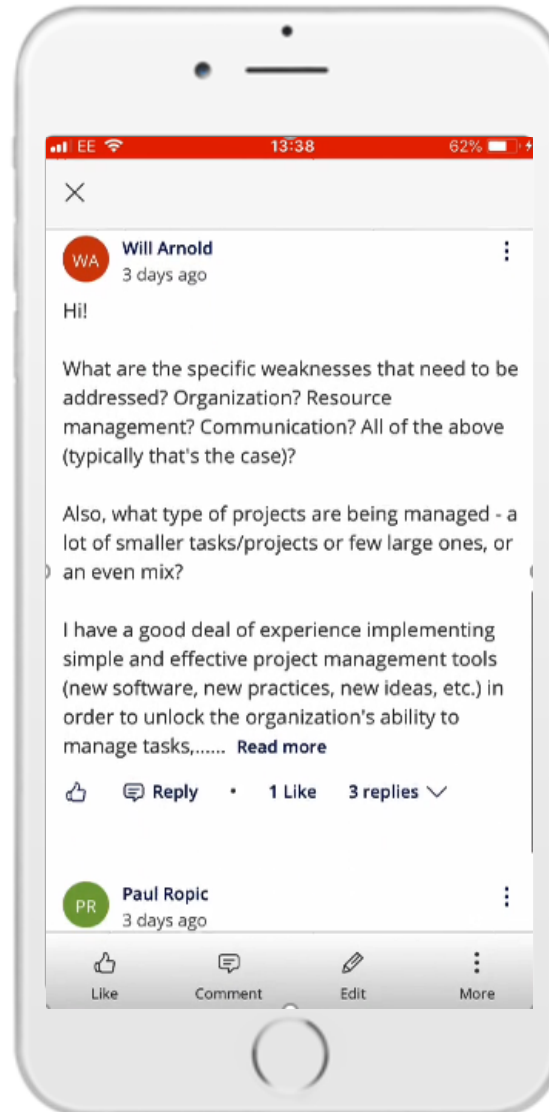
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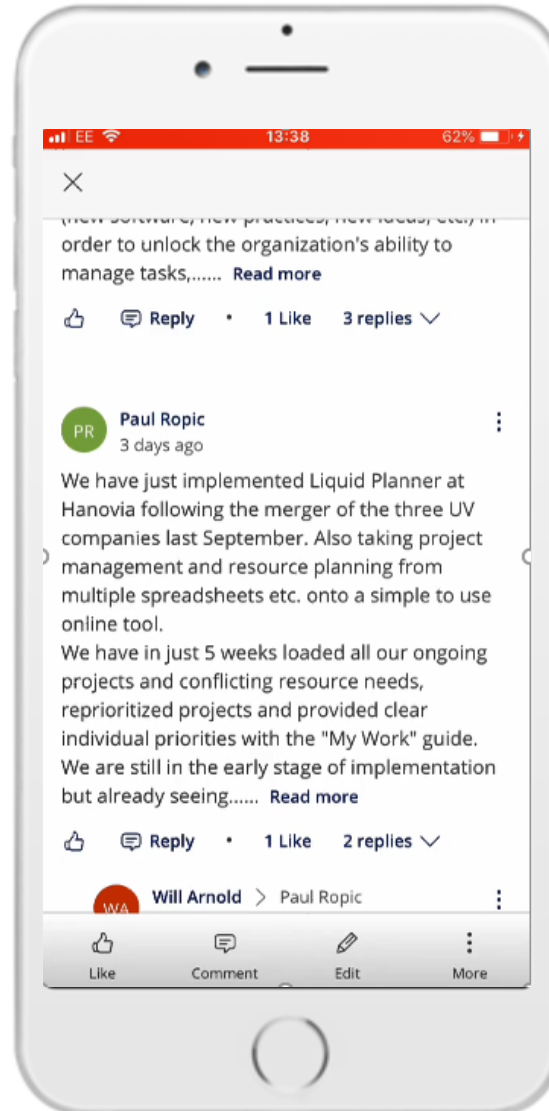
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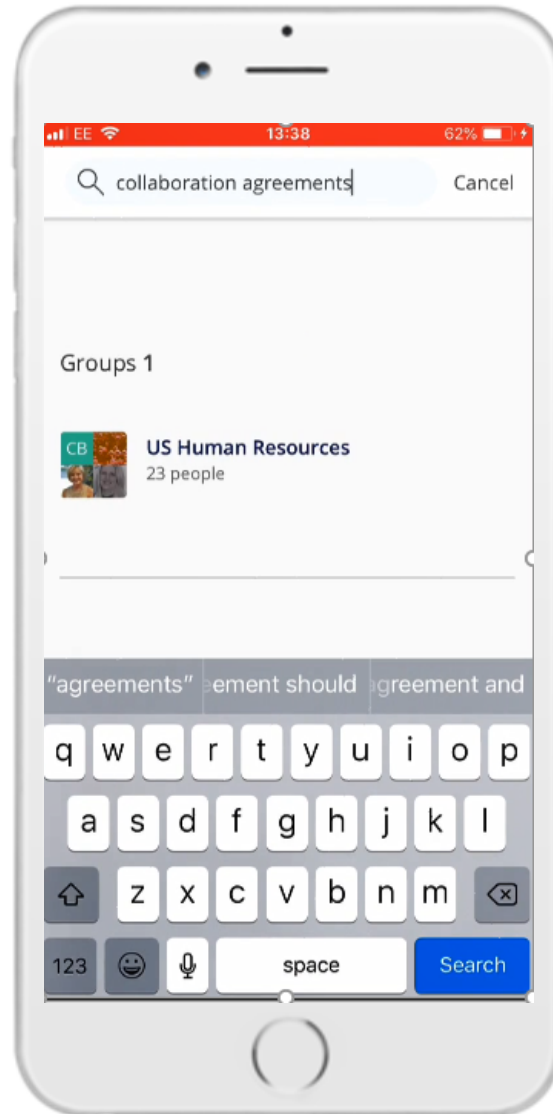
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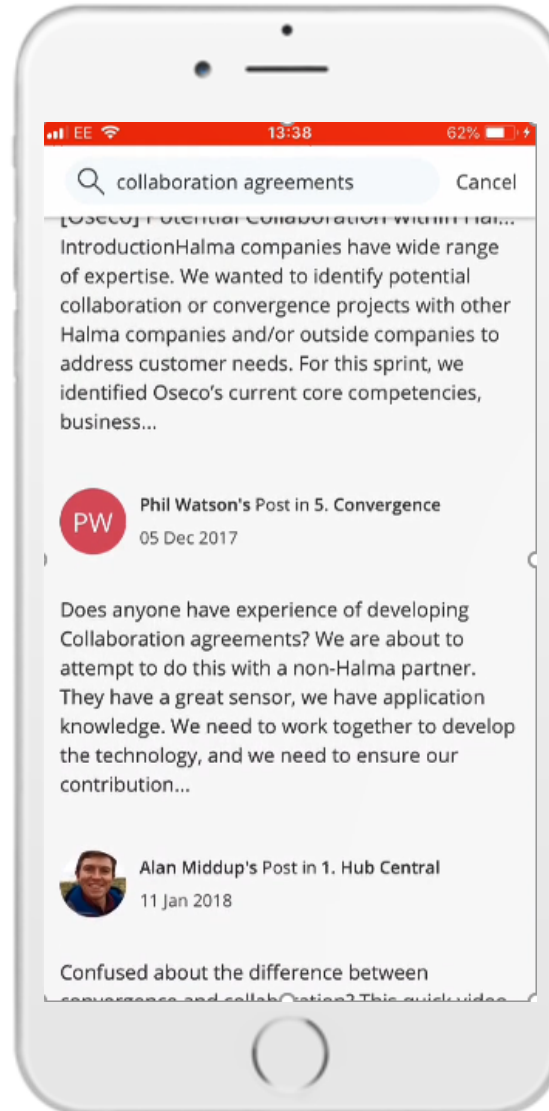
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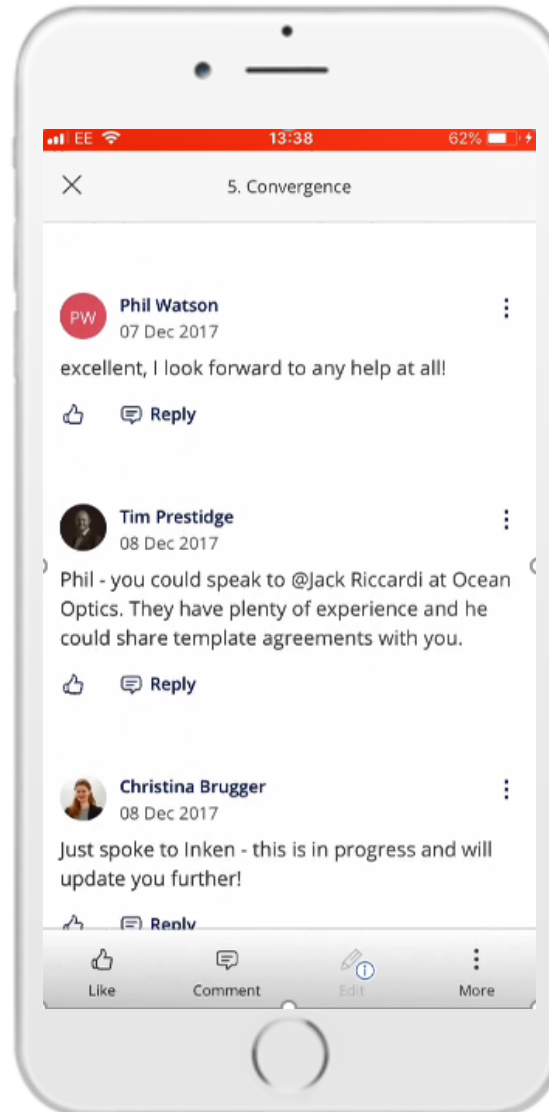
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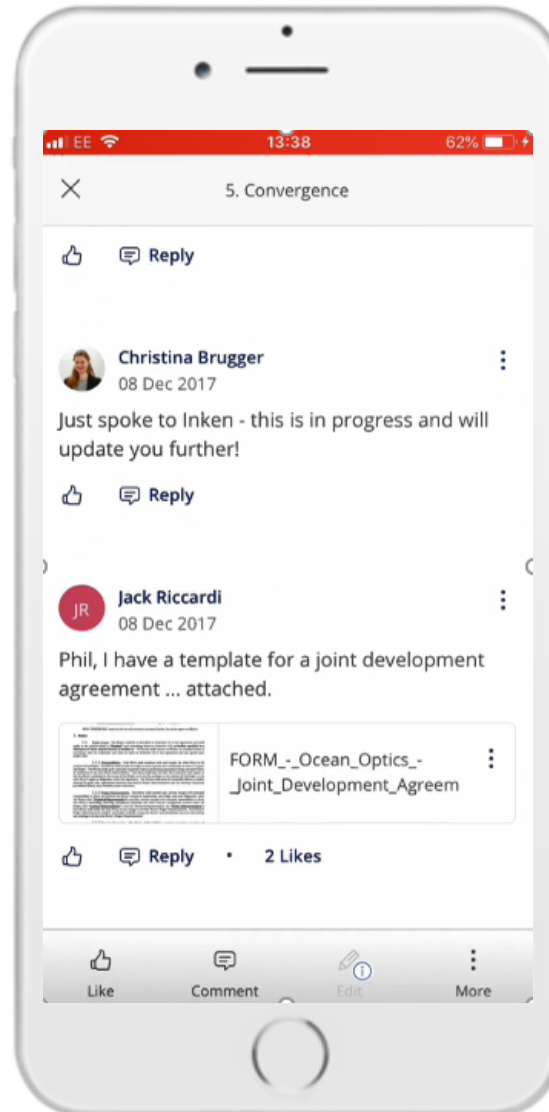
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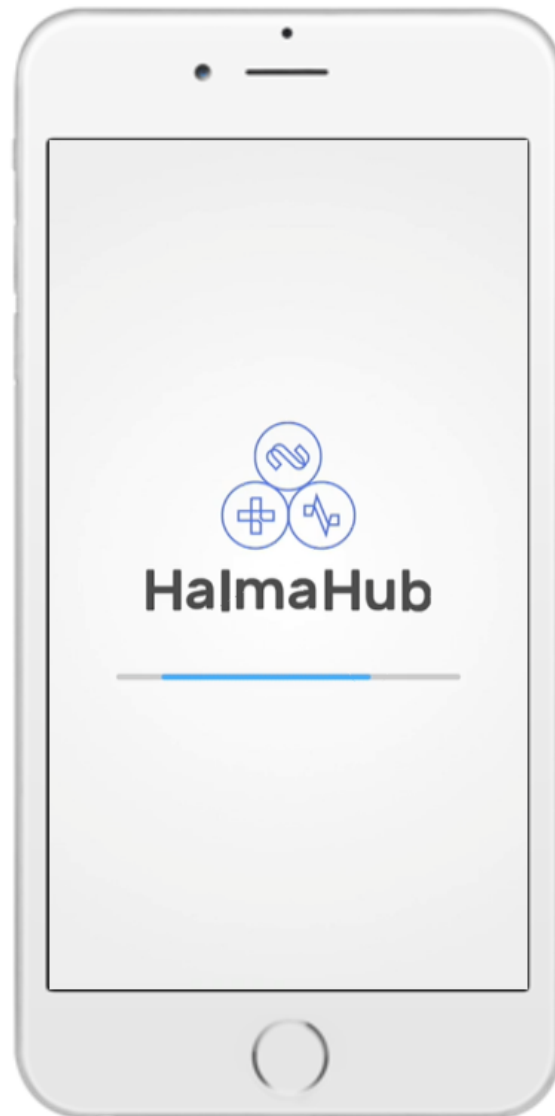


Strategic Comms: Halma Hub

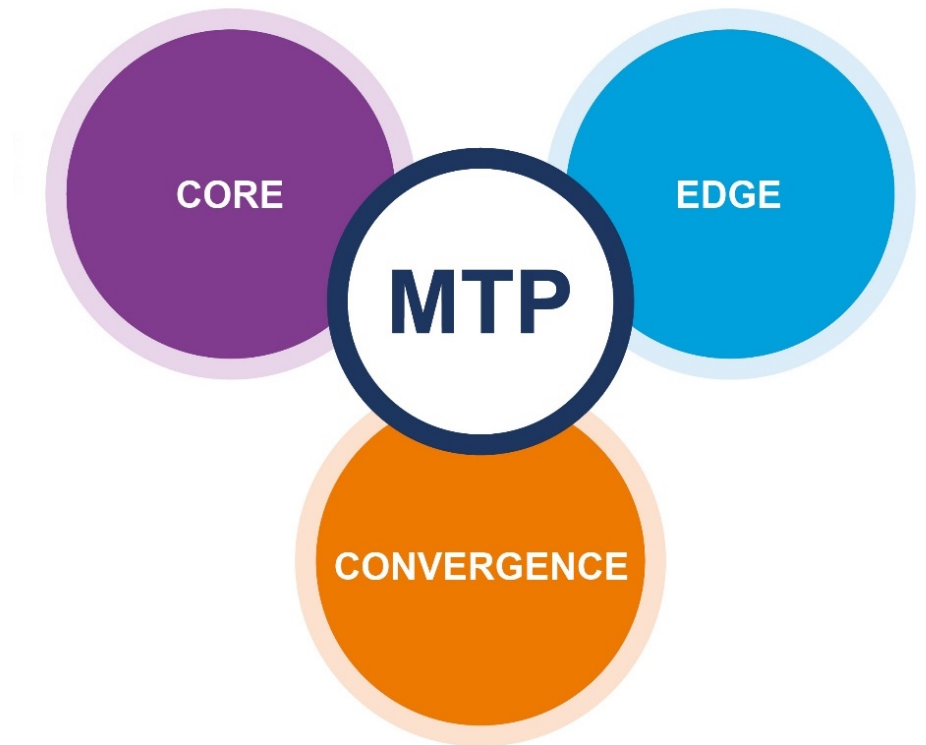
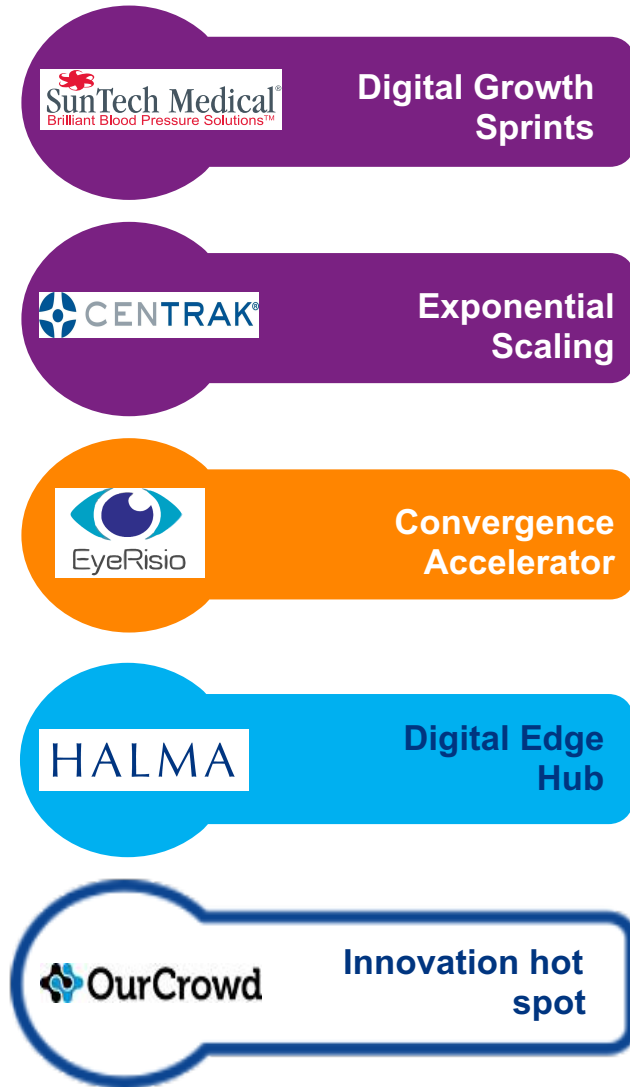


Strategic Comms: Halma Hub





Digital Growth Engines: Early progress



Summary and Outlook Statement

- Record results
 - Widespread growth
 - Strong returns and cash generation
 - Increased strategic investment including 5 acquisitions
- Halma 4.0 Strategy
 - Core, Convergence and Edge growth models
 - Digital Growth Engines & Strategic Comms growth enablers added
 - Organisation re-aligned
- Positive start to new financial year
 - Order intake ahead of revenue and last year
 - Solid M&A pipeline
 - Expect to continue to make progress in the coming year

Questions

Appendices

Currency impacts

	\$		% change	€		% change
	17/18	16/17		17/18	16/17	
• Average rates v £	1.33	1.31	(2%)	1.13	1.19	5%
• <u>1% change*</u>			\$ (~45% of total)			€ (~15% of total)
Revenue			+/- £4.9m			+/- £1.4m
Profit			+/- £0.9m			+/- £0.3m
• At £1 = \$1.35/€1.13/CHF1.36/RMB 8.7 average rates, full year revenue and profit would be impacted adversely by ~1%*. Process Safety and Infrastructure Safety ~0-1% negative impact, Medical and Environmental & Analysis ~1-2% negative impact.						
• At £1 = \$1.35/€1.13/CHF1.36/RMB 8.7 average rates, half year revenue and profit ~2% negative impact.*						

* Based on 2017/18 results

Profit Adjustments*

	2017/18 £m	2016/17 £m	
Intangibles			
Amortisation	(34.7)	(31.5)	
Impairment (Visiometrics)	-	(12.4)	***
	(34.7)	(43.9)	
Acquisitions items**	(7.7)	9.5	***
Restructuring costs (Pixelteq)	-	(1.9)	***
Disposal of operations	0.7	-	
	(41.7)	(36.3)	

* items (charged)/credited in arriving at statutory profit

** including acquisition costs and adjustment to acquisition contingent consideration primarily re Visiometrics in 2016/17

*** see Financial Review in 2016/17 Results Announcement for discussion of these items

Pensions

Defined Benefit pension deficit	March 18	March 17
	£m	£m
Assets	271.7	265.0
Liabilities	(325.6)	(339.9)
Deficit	(53.9)	(74.9)

- Discount rate 2.5% (Year end 2017: 2.5%).
- Closed DB to future accrual December 2014
- Contributions to pay off deficit : 2017/18: £11m; 2018/19: expected ~ £12m
- Latest Triennial Actuarial valuations: Halma pension plan – November 2017, Apollo pension plan – April 2018, subject to finalisation

Acquisition contribution

	2017/18		2018/19
	Run-rate at acquisition £m	Actual* £m	Run-rate at acquisition £m
Revenue	19.1	19.3	23.1
Operating Profit	6.0	4.0	5.9
Profit (net of financing cost)	4.9	2.9	4.7
Return on Sales **	31%	21%	26%

The table above gives the results for FluxData acquired in 2016/17 and Cardios, CasMed, Mini-Cam, Setco and Argus acquired in 2017/18 for the period of ownership included as acquisition contribution

* Includes Halma management charges and investment to support growth

** Based on operating profit

2018/19 Full year Forecasts

	Notes	18/19 Full year forecasts	17/18 Actual
Capex	1	£34m	£22.1m
Effective tax rate	2	20%	19.7%
Central costs	3	£20m	£15.3m
Net finance expense	4	£9.3m	£9.7m

Notes:

1. 2018/19 includes several business expansion projects, some deferred from 2017/18, in particular in Infrastructure Safety.
2. 2018/19 based on expected mix of profit.
3. 2018/19 includes the full year impact of resources added in 2017/18 and further investment to support our growth strategy including Digital and Talent.
4. Assuming no further acquisitions

Sector history

£m		13/14	14/15	15/16	16/17	17/18
Revenue	Process Safety	126.7	158.4	155.5	167.0	184.6
	Infrastructure Safety	220.3	234.1	264.8	315.2	348.8
	Medical	163.2	169.3	198.7	260.6	283.7
	Environmental & Analysis	166.5	164.4	188.9	219.1	259.4
	Inter-segmental sales	(0.2)	(0.1)	(0.1)	(0.2)	(0.3)
	Group revenue	676.5	726.1	807.8	961.7	1,076.2
Sector profit*	Process Safety	34.9	44.8	39.6	40.3	43.4
	Infrastructure Safety	44.4	50.0	56.2	65.1	73.3
	Medical	41.8	45.4	51.7	66.7	67.0
	Environmental & Analysis	31.8	27.4	34.5	41.7	55.0
	Segment Profit*	152.9	167.6	182.0	213.8	238.7
	Central cost/net finance expense	(12.7)	(14.0)	(16.0)	(19.8)	(25.0)
Profit*		140.2	153.6	166.0	194.0	213.7

* Profit before amortisation and impairment of acquired intangibles, acquisition items, restructuring costs and profit or loss on disposal of operations

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